DOCUMENT RESUME

ED 064 759 EA 004 332

TITLE	Full State Funding of Elementary and Secondary Education in New York State.
INSTITUTION	New York State Education Dept., Albany. Div. of Educational Finance.
PUB DATE	Feb 72
NOTE	51p.
EDRS PRICE	MF-$0.65 HC-$3.29
DESCRIPTORS	Educational Finance; Elementary Education; *Equal Education; Equalization Aid; *Expenditure Per Student; *Property Taxes; *Public Schools; School District Spending; Secondary Education; *State Federal Aid; Tables (Data); Tax Rates
IDENTIFIERS	Assessment; Full State Funding

ABSTRACT

The basic purpose of this paper is to marshal the arguments for and against full State funding and to begin delineating the practical problems of moving to full funding in New York State. Full State funding is defined as the assumption of substantially all responsibility for financing local elementary and secondary education from State and Federal revenues. The paper also attempts to supply at least some benchmarks against which to estimate the cost of achieving a substantial measure of full State funding. In discussing full State funding, the paper deals with operating expenses only, exclusive of transportation and building costs. The principal categories of educational finance problems that prompt consideration of full State funding are presented as: (1) the lack of equality of educational opportunity, (2) the Balkanization of the metropolitan as well as the rural areas by local school districts and other governmental units, (3) the cost pressures arising from market forces that operate on teacher salaries, (4) the cost pressures arising from the increasing success of militant public service unions, (5) the intermittent concern of the State legislature for meeting the State share of educational costs, and (6) the increasingly inadequate property tax base whereon rests the great bulk of local support. (Author)

ED 064759

EA C04 332

FULL STATE FUNDING

of

Elementary and Secondary Education

In New York State

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Division of Educational Finance
Albany, New York 12224
February 1972

ED 064759

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
OFFICE OF EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY.

FULL STATE FUNDING

of

Elementary and Secondary Education

in New York State

EA 004 332

The University of the State of New York
The State Education Department
Division of Educational Finance
Albany

February 1972

THE UNIVERSITY OF THE STATE OF NEW YORK

Regents of the University
(with years when terms expire)

1984	Joseph W. McGovern, A.B., LL.B., L.H.D., LL.D., D.C.L., Chancellor	New York
1985	Everett J. Penny, B.C.S., D.C.S., Vice Chancellor	White Plains
1978	Alexander J. Allan, Jr., LL.D., Litt.D.	Troy
1973	Charles W. Millard, Jr., A.B., LL.D., L.H.D.	Buffalo
1972	Carl H. Pforzheimer, Jr., A.B., M.B.A., D.C.S., H.H.D.	Purchase
1975	Edward M. M. Warburg, B.S., L.H.D.	New York
1977	Joseph T. King, LL.B.	Queens
1974	Joseph C. Indelicato, M.D.	Brooklyn
1976	Mrs. Helen B. Power, A.B., Litt.D., L.H.D., LL.D.	Rochester
1979	Francis W. McGinley, B.S., LL.B., LL.D.	Glens Falls
1980	Max J. Rubin, LL.B., L.H.D.	New York
1986	Kenneth B. Clark, A.B., M.S., Ph.D., Litt.D.	Hastings on Hudson
1982	Stephen K. Bailey, A.B., B.A., M.A., Ph.D., LL.D.	Syracuse
1983	Harold E. Newcomb, B.A.	Owego
1981	Theodore M. Black, A.B., Litt.D.	Sands Point

President of the University and Commissioner of Education
Ewald B. Nyquist

Executive Deputy Commissioner of Education
Gordon M. Ambach

Deputy Commissioner for Elementary, Secondary, and Continuing Education
Thomas D. Sheldon

Associate Commissioner for Educational Finance and Management Services
Stanley L. Raub

Assistant Commissioner for Educational Finance and Management Services
John W. Polley

Director, Division of Educational Finance
Charles J. Quinn

FOREWORD

The basic purpose of this paper is to marshal the arguments for and against full State funding and to begin to delineate the practical problems of moving to full funding in New York State. In other words, it is not a plan for full State funding despite the fact that some figures as to the effects of one example have been generated for illustrative purposes and to facilitate practical consideration.

Before any plan could be considered final, careful study of all the practical problems and their effects on education in the State would have to be made. This requires massive data manipulation and thorough discussion with the many different groups and levels of government affected by changes in fiscal and educational provisions.

The model defined in this paper is one of many which might be titled "full State funding." It is not the model contained in the Fleischmann Commission report and was developed independently of that report and many months prior to the publication of the Fleischmann Commission report.

Many persons and sources contributed to the development of this paper. Materials on the New Brunswick experience were generously supplied by the Advisory Commission on Intergovernmental Relations through Will S. Myers. Martin Schultz of the Bureau of Educational Finance Research developed the statistical data

and the material on property taxation with the close assistance of other staff members of that Bureau. John W. Polley carried major responsibility for the paper.

Our Bureau of Educational Finance Research is continuing its study of many varied aspects of full State funding. These range from the effects of a State property tax through the many complications of a step-by-step phase in.

Stanley L. Raub

Stanley L. Raub, Associate Commissioner for
Educational Finance and Management Services

TABLE OF CONTENTS

	Page
Foreword	iii
Introduction	1
The Problem	2
Equalization of Educational Opportunity	3
Cost Pressures	4
The Legislature's Intermittent Concern	5
Governmental Units	5
Property Taxation as the Local Basis for Financing Education	5
Examples of Full State Funding:	12
Hawaii	13
Delaware	14
Michigan	15
Minnesota	16
New Brunswick	17
Arguments for Full State Funding	18
Arguments Against Full State Funding	23
Problems To Be Faced	25
A Possible Operating Expense Level for New York State	25
Building and Transportation Costs	27
The Effects of Funding at $1,037	28
Statewide Assessment	36
Property Tax Relief	39
Alternatives	41
Summary and Conclusions	42

FULL STATE FUNDING

Introduction

Full State funding of the cost of education as discussed in this paper may be defined as the assumption of substantially all responsibility for financing local elementary and secondary education from State and Federal revenues. These revenues may include any tax sources: property, sales and excises, and income. Since the added cost of a feasible plan plus the shift in cost is heavy, it is assumed that the State will find it necessary to use a portion of the present property tax to raise sufficient revenue. The centralization of the bulk of fiscal responsibility should not preclude an opportunity for the use of a local millage for enrichment and for the support of particular services. Assuming that the current district structure would be retained places strong emphasis on local decision making in regard to program. The process must begin with an "evening up" of educational programs which are deemed inadequate without substantially reducing the level of services already provided in the leading districts.

Given the above definition, property tax relief is possible; indeed, it is a basic ingredient, but additional cost and higher taxes from other sources are inevitable if no district is to be cut back.

One purpose of this paper is to examine the arguments for and

against the above arrangements and to clarify the basic issues. A second purpose is to supply at least some benchmarks against which to estimate the cost of achieving a substantial measure of full State funding.

In discussing full State funding the paper deals with operating expenses only. Two big categories of cost are excluded from this. One is transportation which is now practically fully funded at the State level. The other is building costs which is an equalized shared cost. The assumption is that both would be dealt with as they are now. Further study of that assumption would be needed.

The Problem

The principal categories of educational finance problems which lead to a consideration of full State funding remain much the same today as they have been over the past 25 years. However, they have become more acute as pressures for the public revenue have built up during inflation increase, while the rate of growth of revenue has decreased as a result of deflation.

The categories include the lack of equality of educational opportunity; the Balkanization of the metropolitan as well as the rural areas by local school districts and other governmental units; the cost pressures arising from market forces that operate on teacher salaries; the cost pressures arising from the increasing successes of militant public service unions; the intermittent concern of the State legislature for meeting the State share of educational costs; and the increasingly inadequate property tax base

on which rests the great bulk of local support.

Equalization of Educational Opportunity

There are several facets to the equalization of educational opportunity. The two to be considered here concern fiscal provisions and program arrangements.

It is not easy to retain any degree of equanimity when the lack of equal educational opportunity in New York State is viewed. When a service as basic as education is to the welfare of the community, the State, and the Nation is provided unequally, surely all must suffer. The fact is that there is a range among school districts for 1969-70 of $634 to $2015 in local per pupil operating expenditures for education, and there is a range of $5025 to $164,860 in the local resources per pupil which provide the local share of cost. Far greater measures of equality are necessary, not just to placate a nagging conscience, but for purposes of basic longrun self-interest.

Program inequalities are equally as real. The size of the districts ranges from a handful of pupils to New York City's over 1 million The range of choice of program is limited by the size of the district. Furthermore, the district as a legal entity may serve to keep out children who differ in socioeconomic background or diversity of experience or race. The stultifying effects of such segregation inhibit education.

It should be emphasized that equality of opportunity is not

just a matter of providing equal dollars for each school district to be spent on the education of each child. Currently, far more is spent on the education of some children within a district than is spent on others in the same district. Unless money is provided for those children who require more education to reach a given level of competence, equality can be as much of a myth under full State funding as under a system of local control.

Cost Pressures

There are several cost pressures which make for a willingness to consider a different method of school finance. Both the numbers of teachers and the salaries of teachers have been increasing. The average teacher's salary has risen from $6,324 in 1959-60 to $10,390 in 1969-70.

The number of professional staff per thousand pupils in 1959-60 was 48; in 1969-70, 60. While this great increase in service is spread across the State, it has not been provided equally.

For what is really the first time, in the 1971-72 school year, a number of cities which are subject to tax limits have found that they cannot raise taxes further and hence will be forced to cut staff and other provisions for education.

Other communities not subject to the tax limits will continue to increase property taxes in order to maintain program.

The Legislative Intermittent Concern

While the pressure of increased cost has been present every year of the last ten years, normally the legislature has increased state sharing only every other year. The result is a feast-or-famine situation.

Among the reasons for this pattern must be counted the fact that the financing of education is a shared responsibility and not one which rests on the legislature alone.

Governmental Units

There are a tremendous number of governmental units in New York State. School districts alone number 767. Because of the strong tradition of local control in New York State and because of the obvious values of participation in decision making, district structure is likely to continue. But the range of resources, the varying degrees of concern for education, plus the unequal distribution of the need for education, have combined to produce widely varying levels of financial provision. Other governmental units which cover everything from fire, water, sewage, village, city, and county types of purposes number 3,183. The result is a hodgepodge of overlapping, fiscal problems, and a bewildering array of tax rates.

Property Taxation as the Local Basis for Financing Education

The property tax has continued to be the major source of local support for education. The increase in property tax collections over the past several years has resulted mainly from new additions to the

tax rolls, reassessment,and higher tax rates.

Many who have been seeking a better basis of support for education and who have been concerned with the possible source of funds needed for the expansion of educational programs have attacked the property tax as an inadequate source of future revenues.

In fact, the property tax has been called by at least one prominent economist as "one of the worst taxes in the civilized world." Although it may not be one of the best forms of taxation from an equitable standpoint, it is quite hard to conceive of local government doing without it as a source of some revenue.

With the growing expenditure requirements faced by local governments, a strain has been placed on the property tax to raise revenues for educational purposes as well as revenues for the other numerous local needs. It is no longer merely a problem of equity, a serious problem in itself; it is also a problem of the adequacy of the property tax to provide the future revenues needed. Many authorities, therefore, have begun to look elsewhere for revenue sources which in the future will be more responsive to economic growth and future needs.

The following tables will indicate this growing strain resulting in the property tax becoming a poorer source of revenue for expanding educational needs.*

In table 1,the total local property tax in New York State is shown relative to full value and the resulting rate of yield. While full value rose absolutely from 1960 to 1969 by 68.8 percent, the total local property tax yield rose by 86.4 percent during the same period,

---

* All data in this section are given on a school year basis.

and the rate of yield moved upward, indicating an increasing strain on this source of revenue. In the 9 -year period, the rate of yield increased by 10.4 percent.

Table 1

THE REAL PROPERTY TAX BASE, TOTAL LOCAL PROPERTY TAX, AND RATE OF YIELD
(in millions)

Year	Full Value of Real Property	Total Local Property Tax	Rate of Yield
1960	$ 67,478.8	$ 2,128.3	3.15%
1961	72,644.4	2,239.7	3.08
1962	79,919.9	2,372.2	2.96
1963	83,057.7	2,513.2	3.02
1964	89,036.6	2,697.5	3.02
1965	92,803.5	2,906.6	3.13
1966	97,926.3	3,047.9	3.11
1967	100,728.5	3,380.4	3.35
1968	103,317.1	3,634.5	3.51
1969	113,896.8	3,966.7	3.49
Percent of Increase 1969 over 1960	68.8%	86.4%	

(Special Report on Municipal Affairs by the State Comptroller--
Transmitted to the Legislature, April 2, 1970)

In relation to the growing need for revenue for educational purposes, table 2 indicates property taxes for schools increased more rapidly than the total real property tax during the 1960-69 period. As a result, the property taxes for schools as a percentage of the total real property tax rose from 43.3 percent in 1960 to 47.3 percent in 1969. This steady proportional increase in the

property tax for schools resulted in a more intensive use of this revenue source. If it continues, it is likely to intensify the financial problems for all districts, and most particularly large cities.

Table 2

TOTAL REAL PROPERTY TAXES AND REAL PROPERTY TAXES FOR SCHOOLS COMPARED
(in millions)

Year	Total Property Tax	Property Taxes for Schools	Property Tax for Schools as a Percent of Total
1960	$ 2,128.3	$ 922.5	43.3%
1961	2,239.7	960.9	42.9
1962	2,372.2	1,045.6	44.1
1963	2,513.2	1,125.1	44.8
1964	2,697.5	1,245.6	46.2
1965	2,906.6	1,385.9	47.7
1966	3,047.9	1,367.2	44.9
1967	3,380.4	1,576.4	46.6
1968	3,634.5	1,735.1	47.7
1969	3,966.7	1,875.2	47.3
Percent of Increase 1969 over 1960	86.4 %	103.3%	

(Special Report on Municipal Affairs by the State Comptroller--
Transmitted to the Legislature, April 2, 1970)

While the property tax for schools has taken a larger proportion of the total real property tax, its relative importance in providing

revenues for total state and local educational expenditures has declined. As shown in table 3 total State and local expenditures increased by 160.1 percent from 1960 to 1969, while the local property tax increased by 103.3 percent. Therefore, the property tax revenues as a percentage of total State and local expenditures decreased from 57.8 percent in 1960 to 45 percent in 1969.

Table 3

PROPERTY TAXATION AND TOTAL EXPENDITURES FOR EDUCATION
(in millions)

Year	Total State and Local Expenditures for Education	Property Tax for Education	Proportion of Property Tax Used for Education
1960	$ 1,596.4	$ 922.5	57.8%
1961	1,750.2	960.9	54.9
1962	1,915.2	1,045.6	54.6
1963	2,146.3	1,125.1	52.4
1964	2,336.9	1,245.6	53.3
1965	2,538.8	1,385.9	54.6
1966	2,799.4	1,367.2	48.8
1967	3,285.0	1,576.4	48.0
1968	3,621.2	1,735.1	47.9
1969	4,152.4	1,875.2	45.2
Percent of Increase 1969 over 1960	160.1 %	103.3%	

(Analysis of School Finances, New York State School Districts -- 1969-70; Special Report on Municipal Affairs by the State Comptroller, Transmitted to the Legislature -- April 2, 1970)

This trend is more pronounced in table 4 which shows all the revenue sources including Federal aid for New York State school districts. In relation to the total revenue of school districts, one finds that the real property tax has provided a smaller and smaller proportion of the total revenue, falling from 56.3 percent in 1960 to 43.1 percent in 1969. This occurred although the absolute amount of the real property tax increased 103.3 percent during the same period.

The problem of local taxes for schools is becoming increasingly acute. For example, in 1969-70 there were 34 districts with tax rates for school purposes alone of above $30 per thousand. The range in tax rates was from a low of $5.73 per thousand to a high of $38.32. The figures for the current year would, of course, be much higher. The high level of property taxes is enough to cause concern, but there are other problems associated with property taxation which must be dealt with. For example, many cities are at their absolute tax limit, including New York City, Rochester, Syracuse, Albany, Long Beach, Mount Vernon,New Rochelle. Almost equally serious are those cities at lower tax rates where, because of the requirement of 60 percent approval, it is impossible to increase the limit.

A problem closely associated with this is that of poor and rich districts which exist side by side. In order to operate schools with any effectiveness, the poor district must adjust its

Table 4

REVENUE SOURCES FOR ALL SCHOOL DISTRICTS
(in millions)

Year	Total Revenue	Real Property Tax		Nonproperty Tax		State Aid		Federal Aid		All Other Revenue	
		Total	Percent of Total Revenue	Total	Percent of Total Revenue	Total	Percent of Total Revenue	Total	Percent of Total Revenue	Total	Percent of Total Revenue
1960	$1,637.4	$ 922.5	56.3%	$16.3	1.0 %	$633.7	38.7 %	$ 12.1	0.7 %	$ 52.7	3.2 %
1961	1,801.4	960.9	53.3	16.3	0.9	751.4	41.7	13.6	0.8	59.1	3.3
1962	1,935.4	1,045.6	54.0	16.7	0.9	796.3	41.1	14.1	0.7	62.7	3.2
1963	2,185.4	1,125.1	51.5	17.0	0.8	959.8	44.9	17.1	0.8	66.1	3.0
1964	2,373.3	1,245.6	52.5	18.2	0.8	1,017.5	42.9	19.9	0.8	72.2	3.0
1965	2,656.6	1,385.9	52.2	19.4	0.7	1,087.2	40.9	41.2	1.6	122.9	4.6
1966	2,978.9	1,367.2	45.9	22.8	0.8	1,338.0	44.9	104.0	3.5	146.8	4.9
1967	3,434.4	1,576.4	45.9	25.0	0.7	1,480.0	43.1	188.4	5.5	164.6	4.8
1968	3,754.5	1,735.1	46.2	26.7	0.7	1,621.6	43.2	182.0	4.8	189.1	5.0
1969	4,347.4	1,875.2	43.1	32.2	0.7	2,039.2	46.9	174.8	4.0	225.9	5.2
Percent of Increase 1969 over 1960	165.5	103.3		97.5		221.8		1,344.6		328.7	

(Special Report on Municipal Affairs by the State Comptroller--
Transmitted to the Legislature, April 2, 1970)

expenditures to something comparable to that of the rich district. The problem has been dealt with by what is essentially makeshift legislation. The tax limit cities have been allowed to exclude payments for retirement and social security from the limit, thereby gaining a year or two before the problem becomes acute again, but that leeway has now been used up in a number of cities.

Another solution for districts with extremely high taxes has been dealt with by high tax aid. The number of districts eligible for such aid increases yearly.

Examples of Full State Funding

There are a number of plans for full State funding of the costs of elementary and secondary education, and one example of full funding, Hawaii, is in actual operation.

Governor Milliken of Michigan has advocated full state funding for the past 2 years. The Michigan plan for 1971 is greatly different from that for 1970 in two most important details. The 1971 plan would eliminate the use of the property tax by the state and double the amount of local leeway allowed the local district, an increase of from 3 to 6 mills.

Delaware presently comes closer than any state, except Hawaii, to full state funding,and the Delaware system is of interest for that reason.

Governor Anderson of Minnesota has also proposed full state funding. The proposal involves a gradual shift from property taxes to "unspecified" nonproperty state sources.

Considerable reference has been made in educational finance literature to the fact that the province of New Brunswick has shifted to full funding. It may be well to remember when assessing the New Brunswick experience that the problem faced there is that of raising the level of funding of rural education up to the level of the urban areas, while the problem in New York State is equalizing between cities and suburbs.

That is, the political problem is different. However, the basic problem faced up to in New Brunswick is that which is the basic problem in New York -- the wealth of state when divided up in small competing areas is not available equally to each child in the state.

Hawaii

The state of Hawaii has one public school system for the entire state. All of the money for the support of education is received from appropriations made by the state legislature.

The primary sources for the state appropriation are the state general excise tax and the state income tax. Property taxes are not used for schools, but are used by the counties as their primary source of revenue. Counties do not have any financial responsi-

bility for the operation of the public school system. The annual budget is prepared by the school, district,and state administrators in a form agreed upon with the state department of the budget.

The annual budget is presented to the legislature as part of the Governor's executive budget. The total operating budget for education in 1968 was $108,662,000. This includes $15,463,000 of Federal money.

In addition, the legislature appropriated $30,332,000 for capital improvement to be raised from general funds and from bonds and Federal funds.

The finance system in Hawaii more closely resembles that of a large mainland city than it does any present state system or any likely to evolve in the near future.

Delaware

In Delaware,approximately 82 percent of the non-Federal income for public elementary and secondary schools, including only state grants and local revenue receipts, is provided by the state. This is distributed through a current expenditure and minor capital outlay fund. The larger portion of this fund is allocated for teacher salaries.

The funds for teacher salaries are allocated in accordance with a state salary schedule andon a per unit amount.

In the elementary grades,the unit is 25 pupils; in secondary, 20 pupils. Provisions are also made for administrative supplements and salaries for noninstructional school employees, such as clerks, secretaries, nurses, custodians, and school lunch employees.

The state arranges, provides,and pays for transportation services. There also is a provision for the support of school construction from state and local funds.

There is no required local tax rate which school districts must levy; nor is there any limit on what the district may levy to supplement the state support. School districts are required to pay 40 percent of the total cost of construction of school facilities.

The school levy must be approved at a popular election. Debt limits as a percentage of assessment are provided.

Michigan

The proposed Michigan plan had not been fully developed as of April 1, 1971. What Governor Milliken has proposed is the statewide support of education through an increase in the income tax and through the provision of a value added tax. In addition, recommendations to the legislature, as made in April 1971, included an option for a locally voted millage up to a maximum of 6 mills, such millage to be equalized through the state so that

each mill in whatever district levied would produce the same amount of money. The Governor plans by late summer to submit a distribution formula which is the second key item in the proposal. His statement concerning this proposal is quoted: "The problem of distribution is so important, and so critical to the ultimate success of educational reform, that its solution must have all the best thinking we can bring to bear upon it."

Minnesota

Governor Anderson proposed to the legislature in his budget address, January 27, 1971, a plan for public school financing for Minnesota. His program would shift the burden of financing education from the property tax to the nonproperty state sources of revenue. The plan does not increase total spending on elementary and secondary education beyond present estimates. It does relieve the property tax through the provision of $390 million from nonproperty sources.

The proposed plan would take effect over a 2-year period. Initially, state money would be increased to a level that would support the full average costs and distribute them according to a formula which would provide 64 percent of school current expense funding from state nonproperty sources in the first year, rising to 70 percent the second year.

The plan becomes fully effective in the second year after districts have an opportunity to adjust to the new plan. School

expenditures would gradually increase in low expenditure districts as well as the local effort required in some of those districts through a mixture of state aids and local taxing requirements. However, by the end of the biennium, property revenues would raise only 30 percent of costs. This 30 percent would be raised through a uniform statewide property tax set by the legislature and collected and spent at the local government level. School districts would continue to use the property tax as a source of revenue for financing capital outlays and debt service, and,furthermore,could levy cost of living increases without the approval of the voters of the districts, but voter approval would be required beyond those limits.

New Brunswick

In 1967,the province of New Brunswick shifted from a combined provincial-local financing of education to full financing by the province. There were four basic elements in the shift:

1. A single level of spending based on what the province could afford was substituted for widely varying levels based on what individual communities could afford.

2. A single salary schedule for teachers was adopted. The level for this was the highest schedule in the province.

3. Districts were reorganized and reduced in number from 410 to 33.

4. Local decision making was retained (e.g., teacher hiring and firing) in the reorganized districts.

In the New Brunswick experience,the changeover meant an "evening up" rather than a leveling down. The provincial funding level

was set up at the level of the top district rather than at an average. The result was a considerable increase in costs and overall higher tax rates, in this case levied against income in order to relieve property taxes.

In addition to financing schools, New Brunswick took over the financing and provision of health, welfare, and justice functions. It reorganized local governments including school districts and restructured the provincial-local tax system. It eliminated the personal property tax and other local nuisance-type taxes; enacted a uniform province-wide real estate tax at an effective rate of 1.5 percent of market value determined by provincial rather than local assessors; and took over the billing and collecting of all property taxes including those of municipalities.

Spending for education in schools operated by local authorities increased from $13,181,000 in 1966 to $64,980,000 in 1967.

Full State Funding -- Arguments Pro and Con

Arguments for Full State Funding

The arguments for full State funding are largely fiscal or relate to that area.

1. Equalization of the Fiscal Provision for Education

   Each year brings a greater discrepancy in school expenditures between "have-districts" and "have-not districts." In 1960-61, the range of expenditures in education was from $323 to $1,019. In 1969-70, the range was from $634 to $2,015.

When the range is increased by $700 and when one district is able to spend three times as much as another, it is difficult to establish that equal opportunity exists. An old rule of thumb is that the State finance system should ensure that no district in the State spendsmore than 25 percent more than any other. While this may have been honored more in breach than in the observance, it provides a handy benchmark against which to assess fiscal provisions.

2. Property Tax Relief

Perhaps the strongest argument for statewide assumption of costs is that it would provide some relief to the property tax. The property tax has reached almost confiscatory levels in some communities, particularly the poorer suburbs. The property tax has also reached and exceeded the constitutional tax limits in many cities. This is in itself a strong argument for statewide assumption of costs, but perhaps even more important is that the heavy property taxes in cities contribute to the continued deteriorization of the city. It is more profitable to let old properties deteriorate rather than to improve them and pay the increased property taxes on the improved property.

3. Improvement of Property Tax Administration

Still another argument for statewide assumption of costs arises from the assumption that some property tax would have to be levied in order to raise sufficient revenue to support education. Such being the case, if the State collects the tax, improvements in its administration would become almost inevitable, and inequalities in assessments, lack of effective administration,and tremendously varying rates would have to be corrected.

4. District Reorganization

One of the most important concerns of any local government is to be sure to achieve the size which is adequate to efficient operation. School districts in New York State have been consolidated continuously over many years. Where formerly there were 10,000 and more districts in the State, there are now some 700. This is a better record than any other form of local

government, but there is still room for considerable improvement. While statewide assumption of costs would not automatically guarantee districts of efficient size, it would provide a strong impetus in that direction.

5. A More Productive Tax Base

If public elementary and secondary education is to continue to serve the wide variety of functions it has assumed over the years, increased revenues are going to be very badly needed. With a declining tax base, a tax which is regressive and which is less responsive to changing economic conditions than the two other forms of taxation -- income and sales -- education is at a considerable disadvantage. Yet it is not feasible in most instances to levy a local sales tax for education, or a local income tax for education. This would simply widen the existing discrepancies in revenues. The more productive State tax base must be used.

6. The Need for Competition for Tax Resources

Local districts now have maximum discretion in the use of general purpose funds. In almost all districts,the board has been convinced of the need to exceed the shared cost ceiling and,in turn, has convinced the community that this is necessary. Local boards then put great pressure on legislators to increase the ceiling and to reduce the local proportion of the cost in the name of property tax relief. State support rises in response to this demand for relief from the mounting property tax burden and the whole cycle starts again. There is a strong argument that the decision to increase spending should rest at the level which ultimately must provide the funds.

7. Accountability

Public elementary and secondary education in New York State is held accountable through the provision of elected boards in most districts, and appointed boards in some cities. An argument closely allied to the one above holds that educational needs should be weighted alongside the needs of other services by officials accountable for the full gamut of services. Those who argue in this vein hold that this can best be done at the State level. Only at this level, they hold, do officials have the taxing power and spending responsibility

to make the decisions needed to allocate limited resources among unlimited needs.

A natural corollary to this argument would be that either the commissioner or the State Board of Regents or both should be responsible either to the Governor or to the legislature.

8. Statewide Salary Schedules

A statewide salary schedule could be considered either a "boon or a bane." Former Commissioner James E. Allen considered it a boon. "Fixing salaries on a statewide base would provide an additional incentive to teachers to remain in the cities or in rural areas rather than to migrate to the wealthier suburban communities for the higher salaries paid there. Inasmuch as the suburbs have other incentives to offer, this would not be expected to be a serious deterrent to the quality of education there. It could be expected to increase the quality in rural areas and in cities."

Statewide schedules would also eliminate the whip-saw maneuvers now engaged in by both boards and teachers, either to hold salaries down or to increase them.

Some people see statewide schedules in quite an opposite fashion, however. Teachers in districts with the best schedules would undoubtedly see a statewide schedule as limiting. Certainly if collective bargaining were transferred to the State level, work stoppages would not be confined to one or several districts.

Education throughout New York State could be shut down. Teacher militance would undoubtedly increase in many areas of the State as statewide leadership built up pressure for increased salaries and benefits. The final decision as to salary level would be centralized and would without doubt finally be made in the Governor's office.

9. Keeping Up with the High Income Suburbs

The high income suburbs are able to achieve high expenditures for education; there are a number of districts spending in excess of $1700 per WADA for operational expense. The poorer suburbs are caught

in a bind and to some degree the cities are also. They must strain their resources to offer comparable salaries and at least reasonably equal working conditions. High tax aid was instituted to cope with this situation. The unequal distribution of resources makes for grossly varying expenditures.

10. Racial Integration To Be Accelerated

A basic problem in present day school operation is the increasing growth in central cities and a few suburban communities of ghettos. Present taxing laws which make it more profitable in high tax areas to let property deteriorate than to improve it contribute to this. Inevitably, the imposition of equal property taxes and especially lower property taxes would slow down the middle class flight from the city.

11. Regional and Metropolitan Development

One of the barriers to present regional development are the tax advantages in one community as against the other. Statewide financing of education will eliminate such advantages and contribute to the quest for efficiency in operation through encouragement of regional development.

12. Program Accountability

One of the great problems in present day education is to find broad enough measures to provide the basis for cost benefit analysis of educational programs. Presently, provisions for accountability are confused by the fact that funds are raised locally and therefore boards of education are deemed to be carefully watching the results of these expenditures. If funding is shifted to the State level, there will be great pressure for the development of instruments of accountability now long overdue to insure that programs are effective.

13. A More Orderly Development of the Metropolitan Area

Presently, all metropolitan areas are excessively fragmented by various governmental jurisdictions, while at the same time the large central cities may be too large for local citizen concern and control. Statewide funding of the school systems should facilitate the breaking down of barriers due to zoning. It should facilitate the placing of responsibilities on either a regional basis or on carefully defined rather than accidental local bases.

14. More Local Control

If boards of education no longer have to pay close attention to local taxes and determination of salaries which now occupy so much of their time, they should be able to devote their energies to important program considerations, thereby insuring a program which is planned and developed with a maximum of local citizen input.

Arguments Against Full State Funding

There are also arguments against statewide assumption of education costs. While the arguments for statewide assumption are primarily fiscal in nature, the arguments against lie in the area of desires of people for local control.

1. Regression Toward Mediocrity

There is a wide range of expectation concerning education across the State, from that in some relatively benighted communities to that in communities where the majority of the population sees education as a means of achievinga fuller and more productive life. The people of such a community want a school system which will provide the broadest kind of education for their children. The costs in these different communities under local control would be vastly different. Under statewide assumption of costs, the costs would be approximately equal, and the community which desired the most would only be able to spend at approximately the same rate as the community which desired the least. Education might well be improved in the one community, but be seriously hampered in the other. This movement toward mediocrity must be thoughtfully considered. "Monolithic State leadership could lead to egalitarian mediocrity" in the words of Governor Peterson of Delaware.

2. Local Control Versus Big Government

It has been said repeatedly that there is a strong tradition of local control in New York State because of a relatively effective system of State aid and because of the lack of requirements as to how the money will be spent. School districts in New York

State have enjoyed for many years a great deal of control over educational expenditures. As persons who have moved from one state to another can attest, schools in New York State are more effective than those in other states. It is to be expected that many persons seeing statewide financing as another form of big government taking over the making of important local decisions, would resist it as such.

3. The "Lighthouse" School System Concept

The chief argument for providing aid which is not earmarked for special purposes is to enable communities to make their own decisions and in turn insure that what the best and wisest wish for their children in the way of education will be attainable at least in some communities. The "lighthouse" school concept has resulted in may well supported and high quality school systems in this State. The leadership established in these communities has caused the general level of education expectation to rise. This is thought by many to be one of the strongest factors in bringing about a top notch system of education in New York State. Destruction of "lighthouse" school systems in the State could well be a loss which would change the character of education in the State.

4. Redistribution of Resources

There is not much question that many suburban communities would oppose statewide financing. Residents of these communities pay heavy State taxes and it is not likely that their burden of taxation would be lessened, but the high expenditures which now exist for their own children might be reduced and some of the money which is spent in their own community used to support education in other communities. If this is not the case, then greatly increased taxation for education would be inevitable.

5. Flexibility

Although theoretically not necessary, centralized financing might well lead to rigid allocation formulas. Rigid allocation and bureaucratic red tape hamstrings local innovation. The educationl establishment is already accused, both from within and without, of not being responsive. Without the necessity of raising money locally, one more avenue of communication and one more source of ideas is blocked.

6. The Effect of State Aid on Local Financing

Campbell and Sacks of Syracuse University have indicated that State aid is, to a considerable degree, additive to local effort. Such being the case, a shift to full State financing might well reduce the future total of funds available for education. Campbell states in a recent paper delivered to a conference sponsored by the Education Commission of the States,"In general, the highest state-local expenditures are found in state-local governmental systems which assign high expenditure responsibilities to their local governments while maintaining a large flow of funds from the state level to local governments." To what extent State funds are additive and how this varies with the mix hasn't been clearly defined. It is clear from observation that high income areas increase expenditures even with large infusions of aid to a greater degree than do poorer areas and that the phenomenon is more apparent where there is less competition for the tax dollar.

Problems To Be Faced

There are a variety of practical problems in connection with the application of full State funding in New York State. One deals with the level of funding. A second deals with how to handle transportation and building costs. A third deals with the district-by-district effects of the application of the given level of funding. Still another deals with sources of funds including the operation of the property tax at the State level.

The following fiscal proposal will clarify some of the problems to be encountered. If full State funding should receive serious legislative consideration, a variety of financial choices should be thoroughly examined ~~together with~~ their program implications.

A Possible Operating Expense Level for New York State

The effectiveness of full State funding in providing educational opportunity depends on an adequate level of spending. The

higher the level, the more services which can be provided and the greater the individual attention available to every pupil. The obvious constraint on this is the availability of funds.

The large industrialized, urbanized states tend to have used their taxing powers to a greater degree than others. This is certainly true of New York State. This means that large increases in income or sales taxes are unlikely.

The question then arises as to what mix of Federal, State,and local funding would be desirable in New York State if it were possible to achieve the desired level of State participation. There is very little concrete evidence from experience available on this subject.

Hawaii is the only state in which the cost of education is borne completely by the state and Federal government. It can be argued that the Hawaiian system more closely resembles a system of city finance than a state plan.

Delaware which came close to 100 percent funding in the 1920's has moved away from it. The proposals in Michigan and Minnesota, while incomplete in many details, have left a considerable measure of local funding. New Brunswick has retained a local supplementary tax.

Two possible levels of funding have been considered. One is funding operating expense at the present 90th percentile of operating expenditure. Because this would call for such a high level of expenditure, $1,305 per pupil, it would leave little or no leeway

for local taxation and eliminate everything but very small variations in expenditure. The 90th percentile is rejected as too high. It is too costly to attain.

If the 75th percentile of average cost were funded, hopefully enough local cost would remain to generate close local scrutiny of expenditure, and a resistance to excessive central control. Spending at the 75th percentile, $1037 per WADA, would require $1,700 million of additional funding at the tate level based on 1969-70 school year data. The 75th percentile is preferable for a variety of reasons: a) it would raise the level of spending in a large number of districts; b) it is close to the $1097 per pupil spending level of New York City, the largest district; c) it leaves room for a local contribution on the part of all districts which should insure their continued interest and concern; d) it would provide substantial property tax relief in many districts if combined with some added funding from other tax sources.

Building and Transportation Costs

It is not proposed to include building and transportation costs in the statewide funding program since building costs are equalized from 0 to 90 percent of the cost. In most districts building cost does not add more than 1 to 2 mills on full value to the local budget. In some districts there is no debt service. There are other districts in which extensive building must be undertaken because of an influx of population. It may be that further consideration will

need to be given such districts in order that the permitted local contribution not be used up for building.

Since approved transportation costs are financed at the 90 percent level by the State and since it is highly unusual for transportation costs to exceed 1 mill on the tax rate on full value, it is felt that these can be left largely to the local district. Should the local costs of approved transportation exceed 1 mill level, it may be that excess over 1 mill would have to be assumed by the State. In no case, should excess cost to be assumed by the State be the result of local decisions to provide additional transportation beyond that of approved costs.

The Effects of Funding at $1037

What impact would full State funding at $1037 per pupil have on the districts' operating expenditures? There are many districts where expenditures would be raised considerably while as table 5 indicates, there are several counties that have a large number of districts spending at or above the 75th percentile ($1037) of operating expenditures where expenditures might have to be decreased.

Those districts which are presently spending below the 75th percentile would increase their operating expenditures, while those districts where operating expenditures are presently above the 75th will presumably use a portion of the permitted local property tax to bring them up to their previous level of spending if possible.

There may be a few districts that find their local property tax will not provide them with enough funds to return to the current level of spending and in that case their expenditures will have to decrease.

Table 5

TOTAL NUMBER OF DISTRICTS AND PERCENT OF DISTRICTS BY COUNTY AT AND ABOVE THE 75th PERCENTILE OF OPERATING EXPENDITURES

County	At and Above the 75th Percentile Total No.	Percent of County
Nassau	48	87
Westchester	42	95
Suffolk	38	58
Rockland	7	78
Putnam	5	83
Albany	4	31
Erie	4	13
Monroe	4	24
Essex	3	27
Hamilton	3	75
Dutchess	2	15
Schenectady	2	29
Sullivan	2	20
Columbia	1	14
Delaware	1	8
Fulton	1	11
Herkimer	1	9
Montgomery	1	20
Orange	1	6
St. Lawrence	1	6
Tompkins	1	14
Ulster	1	11
Warren	1	9

(All data from computer run information 1969-70
Bureau of Educational Finance Research)

Table 6 gives an indication of the impact on expenditures by broad groupings of districts under the new program. It indicates that for most groups the impact of the new program would generally be an increase in expenditures. Although this may be true for the overall grouping, one must remember that some districts within the grouping may find it necessary to decrease their expenditures although the numbers of those districts are outweighted by those which would experience an increase in expenditures.

In the nonmetropolitan group overall expenditures would increase by $86,716,120 or by 16 percent, and, similarly, in rural areas overall expenditures would increase by $70,019,283, or 18.2 percent. Then, too, the overall total for all cities, excluding New York City, would increase by $43,174,160 or 8.6 percent.

The metropolitan and suburban (metropolitan plus nonmetropolitan) groups show a decrease in expenditures if the districts were to be limited to spending only the $1,037 level per pupil. The decrease in expenditures is $117,821,737 or 12.6 percent. This area includes the four large counties surrounding New York City. As table 5 indicates, each of these counties includes a large number of districts which are spending at or above the 75th percentile; Westchester -- 95 percent of the districts are presently spending at or above the 75th percentile; Nassau -- 87 percent of the districts; Rockland -- 78 percent of districts; and Suffolk -- 58 percent. This is the reason for such a sizeable cutback in expenditure for the metropolitan area.

TABLE 6

TOTAL OPERATING EXPENDITURES UNDER THE PRESENT AND NEW PROGRAMS
AND THE MEAN OPERATING EXPENDITURES UNDER THE PRESENT
AND NEW PROGRAMS

AREA	TOTAL PRESENTLY APPROVED OPERATING EXPENSE	TOTAL NEW OPERATING EXPENSE (AID) WADA $1037	DIFFERENCE INCREASE (+) OR DECREASE (-) IN EXPENSE	MEAN PRESENTLY APPROVED OPERATING EXPENSE	MEAN OPERATING EXPENSE - NEW PROGRAM $1037	DIFFERENCE INCREASE (+) OR DECREASE (-)
New York City	$1,095,158,870	$1,035,278,580	$ -59,880,290	-	-	-
Big Five	174,558,811	189,147,763	+14,588,952	$ 34,911,762	$ 37,829,552	$ +2,917,790
Other Cities	329,145,571	357,730,779	+28,585,208	5,877,599	6,388,049	+ 510,450
Metro	931,837,701	814,015,964	-117,821,737	5,513,832	4,816,662	- 697,170
Nonmetro	542,369,560	629,085,680	+86,716,120	2,947,660	3,418,943	+ 471,283
Rural	384,313,231	454,332,514	+70,019,283	1,255,925	1,484,746	+ 228,821
TOTALS	3,457,383,744	3,479,591,280	+22,207,536	-	-	-

(1969-70 School Operations Data: Computer Run Bureau of Educational Finance Research)

Under this limitation, even New York City would find it necessary to cut its expenditures back by $59,880,290, or about 5.4 percent. This limitation of expenditures to the 75th percentile could cause problems for the city and surrounding metropolitan area if no provisions were made for local taxation.

In general, the suburban category would also experience a decrease in expenditures if no additional resources were made available but the $1,037 per pupil amount. This is the result of the metropolitan's general decrease in expenditure outweighing the non-metropolitan's general increase in expenditures resulting in a net decrease in expenditures of $31,105,617.

However, if the districts were allowed to raise some funds by using a local property tax, many of the districts presently spending above the 75th percentile would be able to obtain the needed revenue to continue their present spending level. This depends on the local taxing limit decided upon. The additional revenue would have an impact on a large number of districts. In general terms, it will mean the metropolitan and suburban expenditures, as shown in table 6, will not show a sizeable decrease as indicated, but a far smaller decrease and New York would not have a decrease in expenditures at all.

Table 7 gives an interesting picture of a percentile distribution of districts spending above the 75th percentile

and the tax rate necessary to raise the revenue to keep them at their present level of spending. In each of the groupings there are several districts spending above the 75th percentile ($1,037). In the cities grouping the range from the 10th to the 90th percentile is $1,053 - $1,037 = $16 above in the case of Albany to $1,358 - $1,037 = $321 above the $1,037 level in the district of New Rochelle. The same is true for the rural grouping where from the 10th to the 90th percentile of spending above the $1,037 level would be Pawling 1, $1,060 - $1,037 = $23 above at the 10th, to Newcomb 1, $1,461 - $1,037 = $424 above at the 90th percentile.

There are a number of other observations which can be made from table 7. Note that the rural group and the nonmetropolitan group require the largest tax rates to maintain their present level of spending. The poor rural districts and the poor districts in the metropolitan area are those which have the highest rates in an effort to remain competitive with their more able counterparts. The cities which are subject to tax limits do not show this phenomenon because they are restricted.

Table 7 shows the tax rates necessary to raise the revenue above the State supported $1,037 per pupil to allow these districts to spend at the same level they have been spending. These tax rates vary from $.07 per thousand to $12.73 per thousand. A tax rate of $1.22 per thousand would be needed for operating expense to allow New York City to maintain its program at its present level ($1,097) per pupil.

TABLE 7

PERCENTILE DISTRIBUTION OF DISTRICTS SPENDING OVER THE 75th PERCENTILE ($1037 PER PUPIL) SHOWING DOLLAR AMOUNT OF SPENDING OVER THE 75th PERCENTILE AND THE MILL RATE REQUIRED TO RAISE THE NEEDED FUNDS ABOVE $1037 AT EACH PERCENTILE

GEOGRAPHIC AREA	NO. OF DISTS.	NO. AT OR ABOVE $1037	PERCENT ABOVE	10th	MILLS REQUIRED	25th	MILLS REQUIRED	50th	MILLS REQUIRED	75th	MILLS REQUIRED	90th	MILLS REQUIRED
Cities	61	12	19.6 %	$16	.27	$22	.71	$129	3.41	$156	4.20	$321	6.65
Metro	169	135	79.8	46	1.64	108	5.37	201	4.45	337	7.58	477	10.38
Nonmetro	184	12	6.5	2	.07	32	.89	47	.52	190	.95	217	4.93
Rural	306	21	6.8	23	.78	58	1.13	170	5.26	330	8.04	424	12.73

(Basic Fiscal Data Major School Districts, Computer Run,

Bureau of Educational Finance Research)

In every area there will still be some districts that must cut their expenditures back. Not only will they be suburban districts such as Huntington 2 and Woodmere in the metropolitan area, but the city districts such as New Rochelle, Glen Cove, and Mount Vernon as well as rural districts of Newcomb 1, Keene 1, and Minerva 1. While all areas therefore will contain a few districts that have to decrease their expenditures, the majority of districts in the rural, nonmetropolitan, and urban groups will find expenditures equalized at a somewhat higher level.

Table 8 shows the districts of the State grouped by wealth levels for 1969-70. Note that at the median there would be increased funds in each grouping up to $36,000 to $43,999 level. Only in the wealthiest groups would a relatively large local tax be necessary to maintain present expenditure.

Table 8

TAXABLE WEALTH PER PUPIL, OPERATING EXPENSE PER PUPIL, 75th PERCENTILE OPERATING EXPENDITURE PER PUPIL, AND THE MILLAGE NEEDED TO MAINTAIN EXPENDITURES AT THE SAME LEVEL ABOVE THE 75th PERCENTILE

Number of Districts	Taxable Wealth Per Pupil (Excluding New York City)	Median Operating Expense WADA	75th Percentile Expenditure	Increase Or Decrease in Expenditure	Average Millage Needed
87	Under $12,000	$ 822	$ 1037	$ 215	--
258	12,000-19,999	893	1037	144	--
153	20,000-27,999	969	1037	68	--
79	28,000-35,999	1029	1037	8	--
44	36,000-43,999	1147	1037	-110	2.75
92	44,000 and over	1289	1037	-252	5.73
(Analysis of School Finances New York State School Districts, 1969-70, Bureau of Educational Finance Research)					

Statewide Assessment

As a source of either local or State revenue, reliance on the real property tax is currently undesirable in that its administration is often incompetent, inefficient, and inequitable. Much of this could be eliminated if the administration of the tax were entrusted to strong, properly managed local units or to statewide administration.

Small districts with elected assessors must give way to more professionally competent people working under professional supervision. This would result in considerable administrative savings and more equitable property valuations. In fact, economists believe that if the property tax were administered properly, it would be a much fairer tax.

The State must set sound assessment standards and provide the necessary machinery to make sure the local assessment districts meet those standards. The State government has been urged to take an active part in assessment reform, providing the needed legislation, conducting schools for assessors, and generally insisting on the highest professional standards. Greater State participation would undoubtedly help to concentrate efforts to overcome some of the more well known problems associated with present assessing practices such as:

1. Excessive decentralization of assessment responsibility.

2. Assignment of assessing in most areas to officials who are selected by popular election with no regard to any standards of education and training.

3. Assessing properties at minor and widely varying fractions of their current worth.

As a result, very few communities presently have property assessments anywhere near 100 percent of full value (current market value, or cash value.) Different assessment practices from district to district result in great inequities to the taxpayer as well as a competition among districts in setting low rates which would result in their receiving more State aid. Therefore, it is essential that there be some method of establishing full valuation. This is the task of the State Equalization and Assessment Commission. Equalization is a complex task of categorizing property, compiling and computing figures to determine an average ratio of assessed to full value for each class of property. Done properly, it results in a fairly good estimate of equalized values and means greater equity in local taxes and distribution of State aid.

The State has moved toward better assessment practices with the passage of the Assessment Improvement Bill signed by the Governor, May 19, 1970. Each city and town in the State is required to appoint a single assessor to a 6-year term starting October 1, 1971. He is to be appointed by the local legislative body and would be required to meet minimum qualification standards for the position established by the State Board. He must also complete a basic training course during his first year in office and will be issued

a certificate by the State Board when completed. Unfortunately, any city or town may adopt a local law, subject to referendum, to continue the office of assessor as elective, and the elected assessor will not be required to meet the minimum qualification standards although all other provisions of the new law will apply.

The law will help to upgrade the position of assessor, requiring minimum qualification standards as well as providing training and equipment, yet it will still allow the assessor a great degree of independence to perform his duties. To hear complaints about assessments, an independent board of assessment review of three to five people, knowledgeable of property values in the city or town, is also to be established.

Each county is also required to establish a real property tax service agency. Counties will be given a more important role in administering the real property tax and providing assistance with difficult appraisal problems as well as in developing a more uniform and efficient real property tax system.

The passage of this bill is an important step in the improvement of property taxation providing for greater leadership and assistance on the part of the State while at the same time improving the quality of local assessors. Even greater State involvement has been advocated by possibly next moving to take over full responsibility for appraising big industrial, utility, and commercial properties, as these appraisals require specially qualified appraisors.

Finally, many experts believe that assessments and assessment administration would be better if all states involve themselves directly in property tax improvement.

Property Tax Relief

Should the State take over the funding of operating expenditures at the $1037 level, part of the revenues needed would have to come from State revenue sources other than the property tax if any property tax relief is to be achieved.

The division of the levy among various revenue sources is a problem for tax experts. However, a possible division is offered here as illustrative of how the arrangement might work.

The total operating expense cost funded at $1037 level using present weightings for 1969-70 expenditures would be $3,485 million. General aid covering operating expense was $1785 million leaving $1700 million to be made up by State revenue sources. A 10 mill statewide property tax would have produced $1139 million. This would have left $561 million to be made up from other State taxes. It would, therefore, mean large increases in sales and income taxes offset in part by a decrease in the property tax.

A State property tax at the 10 mill level would allow the possibility of a limited local property tax to be used for financing buildings, transportation, and enrichment. If limited to 6 mills from either property or nonproperty sources, there would be considerable tax relief in a large number of districts.

While this would result in substantial property tax reductions in many communities, it is possibly too high to provide as much relief as needed in the largest cities. Careful consideration of this need might result in setting the statewide property tax at a lower rate.

One idea for raising the rest of the required revenue is to increase all State taxes uniformly, as advocated by George M. Raymond in the Pratt Planning Paper Relieving Real Estate of School Tax Burdens in New York State. The total income (revenue) for New York State in 1968-69, excluding bond funds, was a composite of the following revenue sources in the proportions indicated:

TAX SOURCE	PERCENT OF TOTAL
Personal Income Tax	42
User taxes and fees (sales and user tax, motor vehicle and fuel, highway use, alcoholic beverage tax and license fees, and cigarette tax)	33
Business taxes (corporations, banks, insurance, and unincorporated business)	17
Revenues from other activities (estate tax, real estate transfer, parimutual, racing administration, and boxing taxes, and the lottery)	8

The plan advocated would be to obtain 42 percent of the needed revenues from the personal income tax, 33 percent from the user taxes and fees, et cetera. Thus, the property tax might be relieved and burden shifted to other State taxes which are more equitable.

Alternatives

It may well be that the amount of reallocation of State and local resources is so drastic that the alternative of simply increasing the State share will be adopted. Obviously this will not reduce the range in spending, nor bring about property tax relief unless at the same time some limit is put on the level of spending which will be allowed. Furthermore, increased revenues for school districts must be greater than the increase in the cost of education if any tax relief is to be achieved. Since increasing the State share puts a greater proportion of money in the more able districts than in the less able districts, it is likely to produce property tax relief in many places where it is least needed if this measure alone is adopted.

Another alternative is to make all the readjustments involved in a program of full State sharing and to adopt a very high property tax rate at the State level in order to fund the State share. Such an alternative, coupled with spending limits and with a limit on what may be levied locally, would produce greater equalization. It would not, however, produce much property tax relief. Indeed, it would be likely to result in higher property taxes in many instances. Property tax relief can only be achieved by substituting other forms of revenue for the property tax.

To raise the necessary revenue it may well be that the legislature would want to levy taxes on property or income now exempt from taxation. Proposals have been made in the legislature for an

income tax on presently exempt income. Certainly some types of property -- such as the property of tax exempt foundations, income producing authorities, Federal installations and others -- might be at least charged user charges for services provided to them by the State or local government.

Regionalism offers another variation on full State financing which is worthy of study. There are great variations in the expenditure pattern among regions of New York State. The metropolitan New York area is the area of greatest cost of education. It would be possible to organize the State into regions, each of which would contain a major metropolitan center. The local financing of schools could then be regionalized throughout the area. That is, the local support tax would be levied uniformly throughout the area and distributed on a per pupil or on an equalized per pupil basis. The State might then equalize among the regions. This would tend to make for greater uniformity within the region, and it would also allow for the major variation in financing which is found in the New York metropolitan region. The range in ability would be greatly reduced, thereby making the State task of equalizing among the region vastly more simple than the present task.

Summary and Conclusions

There are strong arguments both for and against full State funding. The arguments for State and Federal assumption of a larger share of cost are overwhelming.

No state has moved from state and local funding to complete funding. Delaware has had since the 1920's about the level of state funding proposed in this paper. It is interesting to note, however, that the able suburbs in Delaware have in recent years enlarged the local share somewhat.

It appears that the burden of financing education at any where near the highest district level of financing is impossible because of the tremendous increases in revenues required. It would appear that State financing must be keyed to the largest able district in the State; namely, New York City. It does appear that it would be possible to set up a system of statewide financing keyed to the New York City level of expenditure and to keep the costs at a figure which offers hope for achievement.

The basic purposes of moving to a substantial degree of full State funding are an "evening up" of the provision of money to support elementary and secondary education and relief for the local property tax. Because of the wide range in both the provision of funds and local taxation, it is felt that a reasonable goal might be full State funding aid at the 75th percentile of operating expense. A further reason for picking that level is to leave enough leeway for local taxation to insure a substantial degree of local concern.

To raise sufficient revenue to achieve statewide financing, it appears that the State will have to assume the levy of a fairly high rate of property taxation; but not so high as to offer no

hope for substantial property tax relief. If the State is to do this and great inequalities are not to be perpetuated, the State must assume the assessment function in order that all the resources for proper assessment be used. The collection of property taxes can either be a State or a local function. Since the locality would undoubtedly levy an additional tax which would vary from district to district, there would be considerable argument for local collection.

There must be a limit on the local millage which may be levied for the support of education if either of the objectives of full State financing -- equalization and tax relief -- are to be accomplished. Simply to set a level of financing in excess of the present ceiling and to allow districts to levy taxes without a limit, even though the State used property taxation as a source of some of its revenue, would be simply to establish a higher foundation program. Inequalities between the "have and have-not districts" would remain -- plus tremendous pressures for increased local taxes which would then result in tremendous pressures for increased State funds in the sharing.

If there were a limit on the local millage, there should also be a limit on spending. The few most able districts in the State should not be allowed, because of resources, to provide education far in excess of that available to most districts.

Two other factors must be borne in mind in regard to the achievement of any meaningful equalization. The most important is that unequal dollars must be spent on differing individuals. Such

has always been the case in practice within a school system; sometimes to the advantage of one group, sometimes to the advantage of another. The point is that the present simplistic method of counting one child as one unit of need for State aid purposes is unrealistic. The provision of equal dollars for each child will not achieve equality of opportunity.

The second point relates to program. Equality of opportunity is not only related to dollars, but also to the program available. District structure has great effects on this. The small districts are inefficient; education costs more in them and they cannot achieve a broad enough program to meet diverse needs. The matter of district structure has not been dealt with in this paper other than to assume the status quo. It does, however, have important implications for the equalization of educational opportunity.

As the property tax base shrinks in relation to other sources of taxation and as inequalities in the ability to support education locally continue, pressure for a different method of financing education will grow. Greater State assumption of cost seems inevitable unless local tax resources are freed for the support of education. Regional financing may offer an alternative if regions are sufficiently large. In the past, in fields other than education, the State has assumed many services which once were local, thereby freeing the local tax base of their support. This route can still be followed with still other local services. The decision rests on which services are most appropriately and effectively performed locally.